

Employee Retirement Systems Overview

Fairfax County employee retirement systems include the Uniformed Retirement System (Fund 600), the Fairfax County Employees' Retirement System (Fund 601), and the Police Officers Retirement System (Fund 602). Each of these systems is funded from employees' contributions based on a fixed percentage of pay, County contributions based on a variable percentage of employee pay as determined by actuarial analysis, and return on investments. In order to assure the continued soundness of each fund, an actuarial valuation is conducted annually and, if appropriate, an adjustment is made to the employer's contribution rate.

For the Uniformed Retirement Trust Fund and the Police Officers Retirement Trust Fund, the full amount of the employer's contribution comes from Agency 89, Employee Benefits, in the County's General Fund. For the Fairfax County Employees' Retirement Trust Fund, the employer's contribution comes from two sources: Agency 89, Employee Benefits, for County employees and Fairfax County Public Schools (FCPS) for school employees.

Based on the annual actuarial valuation, the employer's contribution rate for FY 2006 for each of the three funds are as follows:

Fund	FY 2005 Employer Contribution Rates (%)	FY 2006 Employer Contribution Rates (%)	Percentage Change (%)	Net General Fund Impact
Uniformed Retirement	24.30	24.30	0.00	\$0
Fairfax County Employees' Retirement	8.08	8.27	0.19	\$549,404
Police Officers Retirement	17.96	18.44	0.48	<u>\$411,469</u>
Total				\$960,873

Following the current effective actuarial funding policy, contribution rates are adjusted only to fund approved benefit enhancements and to recognize funding adjustments required when the funding ratio falls below 90 percent or rises above 120 percent. The increase in the rate for the Employees' system is based on the funding ratio falling further below 90 percent, which requires an increase of 0.07 percent in the employer contribution to amortize the additional unfunded liability amount below the 90 percent threshold for a General Fund impact of \$202,412, and the implementation of the Deferred Retirement Option Plan (DROP), which requires an increase of 0.12 percent in the employer contribution for a General Fund impact of \$346,992. The 0.48 percent increase in the Police Officers rate is due to a retiree cost of living increase benefit enhancement approved by the system's Board of Trustees effective July 1, 2004. It should be noted that both the Police Officers and Uniformed Systems retain funding ratios within the 90 to 120 percent corridor.

Deferred Retirement Option Plan (DROP)

An increase in the employer contributions to the Employees' Retirement System of \$531,455, including a General Fund contribution of \$346,992 and \$184,463 in contributions from County other funds, is included to support a Deferred Retirement Option Plan, or DROP, as an added feature to the Employees' Retirement System. The DROP program was instituted for the Uniformed and Police Officers Retirement Systems during FY 2004.

The DROP program is a provision within a defined benefit retirement system that provides additional flexibility in the distribution of benefits. DROP plans allow an employee who reaches retirement eligibility to agree to defer leaving employment until a specified date in the future, on condition of being deemed to have retired for purposes of the retirement system. The amount of the retirement benefit that would have been paid had the employee terminated employment and retired is credited to a DROP account that accumulates while the employee continues to work. At the end of the DROP period, the employee terminates employment and can receive the accumulated balance in the DROP account, as well as begin receiving monthly retirement benefits based on his/her employment and compensation at the time of electing to enter the DROP. An employee who elects to enter a DROP plan and chooses a "deemed" retirement date transforms the traditional retirement benefit into a combination of a lump-sum account and a traditional pension benefit calculated as if the employee had actually retired on the date of entry in the DROP plan.

Employee Retirement Systems Overview

The major provisions of the recommended plan include:

Eligibility

- Members of the Employees' Retirement System would have the option to elect DROP beginning on their date of eligibility for normal retirement. Eligibility for members of the Employees' system begins at age 65 with five or more years of service or at age 50 when age plus service equals 80.

Length of Drop Period

- Three years.
- Election to enter DROP is irrevocable.
- At the end of the DROP period, employment must terminate.

DROP Account Balance

- Account is credited with benefit accrued up to the point of DROP entry.
- Amounts credited are increased based on retiree Cost of Living Adjustments.
- Account balances are credited interest at an annual rate of 5 percent.

During DROP Period

- Employees are considered active employees for all other benefits/personnel policies.

End of DROP Period

- Employee terminates employment/retires.
- Monthly retirement payments commence in the amount of accrued benefit at time of entry to DROP increased by any retiree Cost of Living Adjustments granted during DROP period.
- Several distribution options will be made available for DROP balance, including:
 - Direct lump sum payments.
 - Rollover to IRA or other employer plan.
 - Increase in monthly annuity (actuarial equivalent).

Disability/Death During DROP

- If not service-connected, monthly retirement payments, if applicable, plus DROP balance.
- If service-connected, option of disability/death benefits and forfeiture of DROP, or monthly retirement payments plus DROP balance.

Public Safety Communications Center Employees – Transfer to Uniformed Retirement

In FY 2006, all existing non-administrative staff in the Public Safety Communications Center (PSCC), including call takers and dispatchers, will have the option of moving from the Employees' Retirement System to the Uniformed Retirement System. New staff will automatically become members of the Uniformed system. This change is being implemented to address recruitment and retention issues facing the PSCC and to create a consistency within County public safety agencies for front line, first responder staff. Existing employees who opt to move to the Uniformed system will be able to either pay into the system the difference in contributions between the two systems, plus interest, and receive credit for prior service, or waive their prior service to begin anew in the Uniformed system. For further details on funding and approved changes for the Department of Public Safety Communications please refer to the narrative for Fund 120, E-911 Fund, within the Special Revenue Fund Group in Volume 2.

Employee Retirement Systems Overview

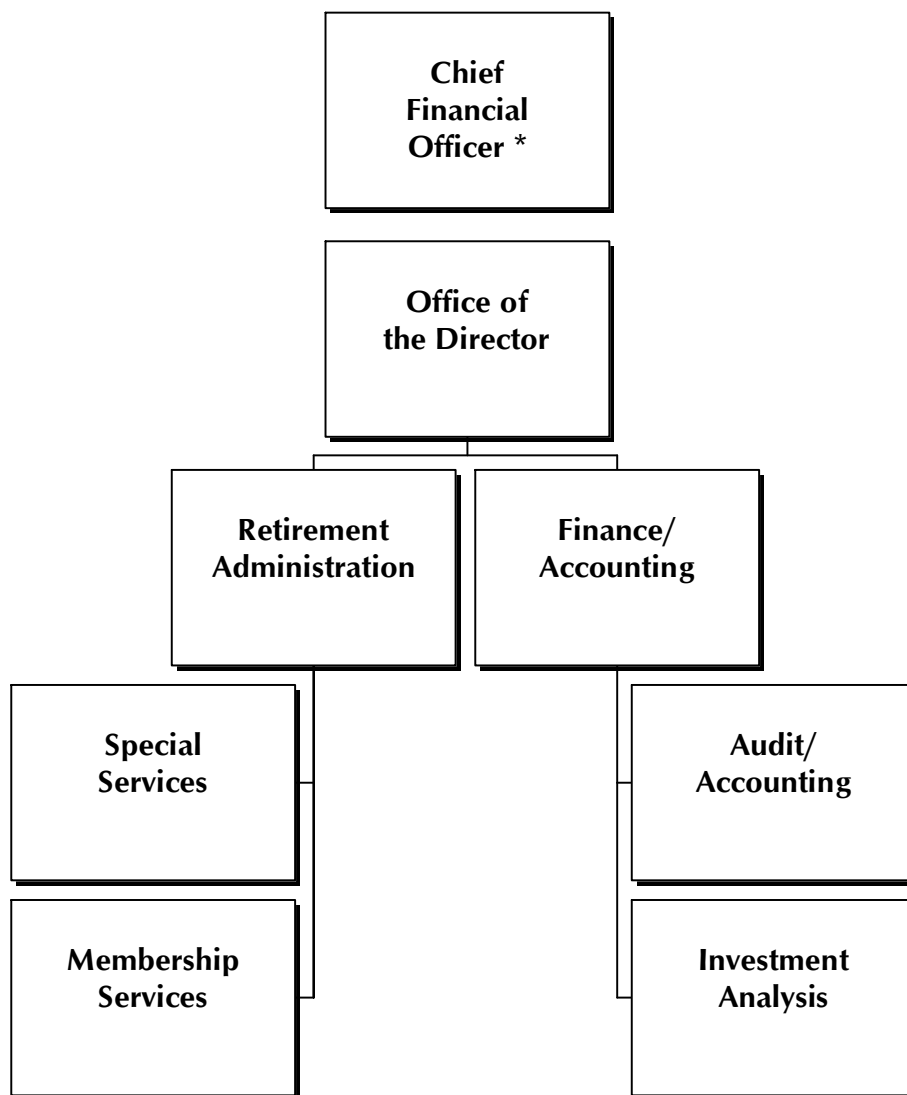
The following table displays relevant information about each retirement system:

EMPLOYEES COVERED					
Uniformed Retirement		Fairfax County Employees' Retirement		Police Officers Retirement	
Fire and Rescue Personnel; Uniformed Office of Sheriff employees; Game and Animal Wardens; Helicopter Pilots; Non-administrative staff in Public Safety Communications Center.		County employees not covered under Uniformed or Police Officers System; certain FCPS employees including food service, custodial, bus drivers, part-time and substitute teachers, maintenance staff.		Fairfax County Police Officers.	
CONDITIONS OF COVERAGE					
Uniformed Retirement		Fairfax County Employees' Retirement		Police Officers Retirement	
At age 55 with 6 years of service or after 25 years of service.		At age 65 with 5 years of service or earlier when age and years of service combined equal 80 or, for reduced "early retirement" benefits, 75. Not before age 50.		At age 55 or after 20 years of police service if hired before 7/1/81; or 25 years of service if hired on or after 7/1/81.	
EMPLOYEE CONTRIBUTION					
	Uniformed Retirement		Fairfax County Employees' Retirement		Police Officers Retirement
	Plan A	Plan B	Plan A	Plan B	12.00% of Pay
	Up to Wage Base	4.00%	7.08%	4.00%	
Above Wage Base	5.33%	8.83%	5.33%	5.33%	
Plan C	4.00%				
Plan D	7.08%				
EMPLOYER CONTRIBUTION Rate Structure / FY 2006					
Uniformed Retirement		Fairfax County Employees' Retirement		Police Officers Retirement	
24.30% \$33,207,127		County 8.27% / \$37,061,273 Schools 8.27% / \$12,982,800		18.44% \$17,473,164	

Employee Retirement Systems Overview

INVESTMENT MANAGERS AS OF JUNE 30, 2004		
Uniformed Retirement	Fairfax County Employees' Retirement	Police Officers Retirement
<ul style="list-style-type: none"> ▪ Barclays Global Investors ▪ Cohen & Steers Capital Management ▪ Harbourvest Partners ▪ J.L Kaplan Associates ▪ JP Morgan Investment Management ▪ Lazard Asset Management ▪ Marathon Asset Management ▪ Pacific Investment Management Co. ▪ Pantheon Ventures ▪ Payden & Rygel Investment Counsel ▪ Peregrine Capital Management ▪ Standish Mellon Asset Management ▪ State Street Global Advisors ▪ Trust Company of the West ▪ UBS Realty Advisors ▪ Wasatch Advisors 	<ul style="list-style-type: none"> ▪ Barclays Global Investors ▪ Brandywine Asset Management ▪ Bridgewater Associates ▪ The Clifton Group ▪ Cohen & Steers Capital Management ▪ DSI International Management ▪ JP Morgan Investment Management ▪ Julius Baer Investment Management ▪ LSV Asset Management ▪ MacKay Shields ▪ Peregrine Capital Management ▪ Post Advisory Group ▪ Shenkman Capital Management ▪ Standish Mellon Asset Management ▪ Thompson Horstmann and Bryant ▪ Robert E. Torray & Co. ▪ Trust Company of the West ▪ Wanger Asset Management 	<ul style="list-style-type: none"> ▪ Capital Guardian Trust Co. ▪ Cohen & Steers Capital Management ▪ Dodge & Cox Investment Managers ▪ Janus Capital ▪ Oak Associates ▪ Pacific Investment Management Co. ▪ Peregrine Capital Management ▪ Standish Mellon Asset Management ▪ Systematic Financial Management ▪ Robert E. Torray & Co. ▪ Trust Company of the West ▪ Veredus Asset Management

Retirement Administration Agency



* The Chief Financial Officer has a liaison role for strategic direction and oversight of this agency; however, for budget purposes, that position and associated funding are reflected within the Department of Management and Budget.

Retirement Administration Agency

Mission

As an agent of the Boards of Trustees of the Employees', Police Officers, and Uniformed Retirement Systems, the mission of the Retirement Administration Agency is to administer the Systems according to the terms established by the County of Fairfax and to do so in a manner that:

- ◆ Safeguards and invests the assets of the Systems;
- ◆ Maximizes cost effectiveness of the retirement programs by optimizing long-term investment returns within an acceptable level of variation in required funding and by maintaining efficient administrative operations;
- ◆ Maximizes the value of retirement plans in retaining county personnel through communications, education and counseling programs and by providing quality service;
- ◆ Fulfills the obligations of the Systems to retirees by providing timely and accurate payments and by providing quality service; and
- ◆ Provides technical support and advice to County Management and the Board of Supervisors regarding retirement benefits.

Focus

The Retirement Administration Agency contributes to the County's Corporate Stewardship through sound management of County resources and assets. To accomplish its specific mission, the Retirement Agency will focus on:

- ◆ Support for the Boards of Trustees
- ◆ Services to active employees and retirees
- ◆ Accurate accounting and control of plan assets
- ◆ Accuracy of data
- ◆ Cost efficiency of processes
- ◆ Investment return and risk control

Under the direction of the Boards of Trustees for the Police Officers Retirement, Fairfax County Employees' Retirement, and Uniformed Retirement Systems, the Retirement Administration Agency processes benefit payments to eligible Fairfax County retirees and beneficiaries. The agency also processes payments for the retiree health benefit subsidy from Fund 500, Retiree Health Benefits, and provides counseling and comprehensive information pertaining to benefits to active and retired County employees.

THINKING STRATEGICALLY


Strategic issues for the Department include:

- Re-evaluating investment strategies in response to volatile capital markets and an uncertain economic environment;
- Monitoring the success of the corridor policy to make certain that plans are adequately funded for the long term; and
- Reviewing processes to identify opportunities to streamline operations and improve efficiency of services.

Retirement Administration Agency

The agency receives revenues from various sources, including employee and employer contributions to the various retirement systems, employee payback, and return on investments, to finance the three Employee Retirement Systems. Employee contributions are based on a fixed percentage of pay and employer contributions are based on a variable percentage of employee pay as determined by actuarial analysis. Employer contributions for the Uniformed and Police Officer Retirement Systems come solely from Agency 89, Employee Benefits, in the County's General Fund. For the Employees' Retirement System, employer contributions come from Agency 89, Employee Benefits, for County employees and Fairfax County Public Schools (FCPS) for school employees. Adjustments are made to the employer's contribution rate only to fund approved benefit enhancements and to recognize funding adjustments required when the funding ratio falls out of the 90 to 120 percent funding corridor. Some revenues are also generated through employee payback, a process by which employees who have left the County can make a "payback" contribution and return to their previous standing in the retirement system upon their return to County employment. Additionally, significant revenues are achieved through returns on fund investments. Revenue projections are based on an assumed actuarial rate of return of 7.5 percent. An actuarial valuation is conducted annually for each of the three funds to assure the continued soundness of the retirement systems.

New Initiatives and Recent Accomplishments in Support of the Fairfax County Vision

 Exercising Corporate Stewardship	Recent Success	FY 2006 Initiative	Cost Center
Achieved strong investment returns in FY 2004: Employees' System 18.4% Police Officers System 16.1% Uniformed System 15.0%	<input checked="" type="checkbox"/>		Agencywide
Advise and support the Boards of Trustees in the development and implementation of investment strategies designed to improve risk adjusted returns and to minimize the long-term funding required to provide competitive retirement benefits.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide
Upgrade and/or replace databases and processing systems required to maintain records, calculate benefits, and issue benefit payments.		<input checked="" type="checkbox"/>	Agencywide

Retirement Administration Agency

Budget and Staff Resources



Agency Summary ¹				
Category	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	22/ 22	22/ 22	22/ 22	23/ 23
Expenditures:				
Personnel Services	\$4,560,761	\$5,361,913	\$5,361,913	\$5,677,146
Operating Expenses	170,064,680	192,371,641	192,376,440	220,398,328
Capital Equipment	0	0	0	0
Total Expenditures	\$174,625,441	\$197,733,554	\$197,738,353	\$226,075,474

¹ The table above includes all of the three County retirement funds (Funds 600, 601, and 602) as well as the Retiree Health Benefits Fund (Fund 500) which are administered by this Agency and to which all costs of agency administration are apportioned. Further details on Fund 500, including the fund statement, may be found under the Internal Service Fund section in this volume.

Position Summary		
<u>OFFICE OF THE DIRECTOR</u>	<u>Special Services</u>	<u>FINANCE/ACCOUNTING</u>
1 Executive Director	1 Programmer Analyst III	1 Investment Manager
1 Administrative Assistant II	1 Programmer Analyst II	
	1 Information Officer II	<u>Audit/Accounting</u>
<u>RETIREMENT ADMINISTRATION</u>		1 Accountant II ¹
1 Retirement Administrator	<u>Membership Services</u>	1 Administrative Assistant III
1 Administrative Assistant I	1 Accountant II	
	1 Management Analyst II	<u>Investment Analysis</u>
	4 Retirement Counselors (1)	1 Senior Investment Manager
	1 Administrative Assistant III	1 Investment Analyst
	4 Administrative Assistants II	
TOTAL POSITIONS		
23 Positions (1) / 23.0 Staff Years (1.0)		() Denotes New Position

¹1/1.0 SYE Accountant II is financed by Fund 500, Retiree Health Benefits. All remaining 22/22.0 SYE positions are financed jointly by the three retirement trust funds (Fund 600, Fund 601, and Fund 602).

FY 2006 Funding Adjustments

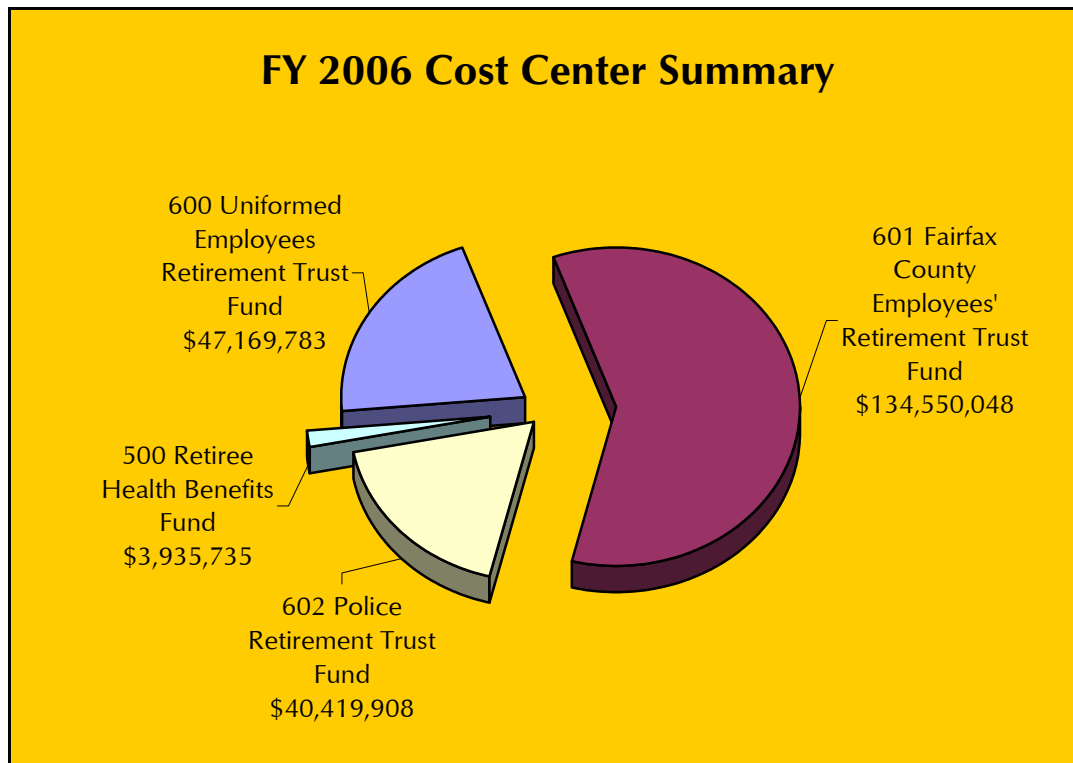
The following funding adjustments from the FY 2005 Revised Budget Plan are necessary to support the FY 2006 program:

- ◆ **Employee Compensation** **\$101,006**
 An increase of \$101,006 in Personnel Services includes \$95,085 associated with salary adjustments necessary to support the County's compensation program, including an increase of \$5,921 associated with the 1/1.0 SYE position supported by Fund 500, Retiree Health Benefits.
- ◆ **Retirement Counseling** **\$86,519**
 Due to the anticipated implementation of the Deferred Retirement Option Plan (DROP) for the Employees' Retirement System, \$62,197 is included for 1/1.0 SYE new Retirement Counselor position and associated fringe benefits. An additional \$24,322 is included for increased hours for an existing limited-term position due to a rise in retirees and retirement-eligible employees.
- ◆ **Retiree Health Subsidy Payments** **\$127,715**
 An increase of \$127,715 in Personnel Services associated with retiree health benefit payments. For further information please refer to Fund 500, Retiree Health Benefits, in the Internal Service Fund section of Volume 2.

Retirement Administration Agency

- ◆ **Benefit Payments** **\$22,443,389**
An increase of \$22,443,389 in Operating Expenses reflects increased payments of \$21,971,650 to retirees due to a higher number of retirees and higher individual payment levels, an increase in the allowance for refunds of \$117,000 based on projected turnover of active members, and an increase in payments to beneficiaries of \$354,739.
- ◆ **Investment Management Fees** **\$6,874,287**
An increase of \$6,874,287 in Operating Expenses reflects an increase in investment management fees due to the projected growth in assets and the investment strategies adopted by the Boards of Trustees.
- ◆ **Technology** **(\$1,396,000)**
A decrease of \$1,396,000 in Operating Expenses due to the one-time expense budgeted in FY 2005 for the purchase of a new benefit administration system.
- ◆ **Consulting Fees** **\$21,843**
An increase of \$21,843 in Operating Expenses due to increased investment consulting expenses associated with the contracts with outside consultants for the Police Officers and Uniformed Systems.
- ◆ **Actuarial Services** **\$68,614**
An increase of \$68,614 in Operating Expenses due to increased actuarial costs as a result of provision for a five-year experience study to be conducted in FY 2006 and anticipated actuarial analysis and support related to the possible extension of a Deferred Retirement Option Plan to the Employees' System.
- ◆ **Banking Services** **\$50,000**
An increase of \$50,000 in Operating Expenses for custodial banking services due to anticipated renegotiation of contracts.
- ◆ **Rent** **\$50,276**
An increase of \$50,276 in Operating Expenses due to the increased cost of leased space for the Retirement Administration Agency.
- ◆ **Fiduciary Insurance** **\$12,303**
An increase of \$12,303 in Operating Expenses due to the continued increase in premiums for fiduciary liability insurance.
- ◆ **Medical Examination Fees** **(\$109,945)**
A decrease of \$109,945 in Operating Expenses resulting primarily from the discontinuance of postemployment physicals previously required by the Uniformed Retirement System for all new members and the change in plans to continue using the services of the Health Department staff in the review of disability applications and re-evaluations from the Employees' and Uniformed Systems.
- ◆ **Other Operating Expenses** **\$7,114**
A net increase of \$7,114 in all other Operating Expenses.

Retirement Administration Agency



Changes to FY 2005 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2005 Revised Budget Plan since passage of the FY 2005 Adopted Budget Plan. Included are all adjustments made as part of the FY 2004 Carryover Review and all other approved changes through December 31, 2004:

◆ **Carryover Adjustments**

\$4,799

As part of the FY 2004 Carryover Review, the Board of Supervisors approved encumbered carryover funding of \$4,799 in Operating Expenses to cover the cost of computer equipment and temporary services.

Key Performance Measures

Objectives

- ◆ To maintain at 100 percent the number of retiree benefit payments processed on time.
- ◆ To achieve at least a 7.5 percent return on investment over rolling three year periods.
- ◆ To achieve realized return on investment commensurate with the S&P 500 Index and the Lehman Brothers Aggregate Bond Index.

Retirement Administration Agency

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/Actual	FY 2005	FY 2006
Output:					
Members: Fairfax County Employees (1)	17,532	18,608	17,827 / 18,447	18,686	18,938
Members: Uniformed	2,286	2,403	2,381 / 2,437	2,485	2,535
Members: Police Officers	1,815	1,922	1,921 / 2,008	2,040	2,073
Return on investment: Fairfax County Employees	(\$69,320,270)	\$97,159,091	\$135,000,817 / \$329,845,783	\$138,769,311	\$159,935,982
Return on investment: Uniformed	(\$30,009,656)	\$36,447,345	\$49,513,911 / \$98,067,456	\$52,456,259	\$59,572,839
Return on investment: Police Officers	(\$28,285,518)	\$25,914,598	\$45,720,736 / \$94,681,757	\$46,461,410	\$52,822,997
Efficiency:					
Cost per member: Fairfax County Employees	\$43	\$41	\$45 / \$44	\$47	\$56
Cost per member: Uniformed	\$99	\$101	\$109 / \$108	\$119	\$105
Cost per member: Police Officers	\$114	\$121	\$131 / \$111	\$132	\$140
Investment costs as a percent of assets: Fairfax County Employees (2)	0.34%	0.44%	0.44% / 0.49%	0.50%	0.61%
Investment costs as a percent of assets: Uniformed	0.26%	0.44%	0.50% / 0.53%	0.58%	0.70%
Investment costs as a percent of assets: Police Officers	0.42%	0.45%	0.47% / 0.52%	0.54%	0.70%
Service Quality:					
Percent of retiree checks issued within schedule time frame: Fairfax County Employees	100%	100%	100% / 100%	100%	100%
Percent of retiree checks issued within schedule time frame: Uniformed	100%	100%	100% / 100%	100%	100%
Percent of retiree checks issued within schedule time frame: Police Officers	100%	100%	100% / 100%	100%	100%
Return compared to assumed actuarial rate (7.5%): Fairfax County Employees	(3.90%)	5.88%	7.50% / 18.42%	7.50%	7.50%
Return compared to assumed actuarial rate (7.5%): Uniformed	(4.63%)	5.92%	7.50% / 15.02%	7.50%	7.50%
Return compared to assumed actuarial rate (7.5%): Police Officers	(4.75%)	4.63%	7.50% / 16.07%	7.50%	7.50%
Large cap domestic equity return compared to S&P 500 Index: S&P 500 Index	(17.97%)	0.26%	NA / 19.11%	NA	NA

Retirement Administration Agency

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/Actual	FY 2005	FY 2006
Service Quality:					
Large cap domestic equity return compared to S&P 500 Index: Fairfax County Employees	(17.65%)	3.86%	NA / 20.83%	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Uniformed	(17.60%)	1.71%	NA / 18.48%	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Police Officers	(19.17%)	5.40%	NA / 18.72%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Lehman Aggregate Bond Index	8.63%	10.40%	NA / 0.32%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Fairfax County Employees	8.87%	12.36%	NA / 6.14%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Uniformed	3.91%	10.48%	NA / 0.87%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Police Officers	6.13%	9.77%	NA / 1.68%	NA	NA
Outcome:					
Percent of retiree payments processed on time: Fairfax County Employees	100%	100%	100% / 100%	100%	100%
Percent of retiree payments processed on time: Uniformed	100%	100%	100% / 100%	100%	100%
Percent of retiree payments processed on time: Police Officers	100%	100%	100% / 100%	100%	100%
Deviation from actuarial rate of return (total plan): Fairfax County Employees	(11.4%)	(1.6%)	0.0% / 10.9%	0.0%	0.0%
Deviation from actuarial rate of return (total plan): Uniformed	(12.1%)	(1.6%)	0.0% / 7.5%	0.0%	0.0%
Deviation from actuarial rate of return (total plan): Police Officers	(12.3%)	(2.9%)	0.0% / 8.6%	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Fairfax County Employees	0.3%	3.6%	0.0% / 1.7%	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Uniformed	0.4%	1.5%	0.0% / (0.6%)	0.0%	0.0%

Retirement Administration Agency

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/Actual	FY 2005	FY 2006
Outcome:					
Deviation from S&P 500 (large cap equities):					
Police Officers	(1.2%)	5.1%	0.0% / (0.4%)	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income):					
Fairfax County Employees	0.2%	2.0%	0.0% / 5.8%	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income):					
Uniformed	(4.7%)	0.1%	0.0% / 0.6%	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income):					
Police Officers	(2.5%)	(0.6%)	0.0% / 1.4%	0.0%	0.0%

(1) This indicator was previously reported separately as number of retirees and number of active members. Beginning in FY 2001, these indicators were combined and are now shown as the total number of members.

(2) This indicator was previously reported as investment costs as a percentage of earnings. However, beginning in FY 2001, the indicator was revised and now reflects the costs as a percentage of assets.

Performance Measurement Results

After weathering three years of difficult capital market environments, investment returns for each of the three retirement systems in FY 2004 were above the long-term average rate of 7.5 percent assumed for actuarial purposes. Returns were 18.4 percent for the Employees' system, 16.1 percent for the Police Officers system, and 15.0 percent for the Uniformed system. Returns were strong across all equity markets, while bond returns were weak. In the universe of public funds used to assess relative performance, results for the Employees' System were exceptional, placing in the 10th percentile for the one-year period, the 6th percentile for the three-year period, and the 15th percentile for the five-year period. Returns for the Police Officers System were above the median, ranking in the 47th percentile for the year, while the Uniformed system placed in the 77th percentile.

Retirement Administration Agency

FUND STATEMENT

Fund Type G60, Pension Trust Funds

Fund 600, Uniformed Retirement

	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan
Beginning Balance	\$657,361,178	\$731,692,389	\$755,288,695	\$800,541,165
Revenue:				
Employer Contributions	\$24,823,288	\$24,856,554	\$24,856,554	\$33,207,127
Employee Contributions	7,551,967	7,932,220	7,932,220	8,369,903
Employee Payback	97,458	64,000	64,000	63,000
Return on Investments ¹	31,544,594	52,456,259	52,456,259	59,572,839
Miscellaneous Revenue	150,859	0	0	0
Total Realized Revenue	\$64,168,166	\$85,309,033	\$85,309,033	\$101,212,869
Unrealized Gain (Loss) ²	\$67,056,163	\$0	\$0	\$0
Total Revenue	\$131,224,329	\$85,309,033	\$85,309,033	\$101,212,869
Total Available	\$788,585,507	\$817,001,422	\$840,597,728	\$901,754,034
Expenditures:				
Administrative Expenses	\$692,463	\$984,229	\$984,949	\$785,522
Investment Services ¹	4,197,302	3,868,614	3,868,614	5,380,928
Payments to Retirees	27,559,690	34,315,654	34,315,654	39,978,284
Beneficiaries	394,740	551,346	551,346	572,049
Refunds	452,617	336,000	336,000	453,000
Total Expenditures	\$33,296,812	\$40,055,843	\$40,056,563	\$47,169,783
Total Disbursements	\$33,296,812	\$40,055,843	\$40,056,563	\$47,169,783
Ending Balance³	\$755,288,695	\$776,945,579	\$800,541,165	\$854,584,251
PC Replacement Reserve ⁴	\$6,874	\$7,684	\$7,684	\$8,494
Unreserved Balance	\$755,281,821	\$776,937,895	\$800,533,481	\$854,575,757

¹ In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment of \$533,301.31 has been reflected as an increase in FY 2004 revenue and expenditures. FY 2004 actuals are adjusted to reflect compliance with Governmental Accounting Standards Board (GASB) Statement 28, which requires segregation of income and expenditures associated with securities lending transactions. The audit adjustment has been included in the FY 2004 Comprehensive Annual Financial Report (CAFR). Details of the FY 2004 audit adjustments will be included in the FY 2005 Third Quarter Package. It should be noted that prior to GASB 28, the retirement systems reflected net income from securities lending as part of return on investments.

² Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

³ The Uniformed Retirement Fund maintains fund balances at adequate levels relative to projected requirements. The fund balance fluctuates annually primarily due to interest on investments.

⁴ Computer equipment reserve established for the timely replacement of obsolete computer equipment used for retirement operations.

Retirement Administration Agency

FUND STATEMENT

Fund Type G60, Pension Trust Funds

Fund 601, Fairfax County Employees' Retirement

	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan
Beginning Balance	\$1,780,113,740	\$1,997,828,084	\$2,067,515,324	\$2,161,496,502
Revenue:				
County Employer Contributions	\$25,119,273	\$32,531,288	\$32,531,288	\$37,061,273
County Employee Contributions	18,872,497	19,597,812	19,597,812	20,858,780
School Employer Contributions	9,298,777	11,846,100	11,846,100	12,982,800
School Employee Contributions	7,205,356	7,621,371	7,621,371	8,111,747
Employee Payback	516,309	467,000	467,000	480,000
Return on Investments ¹	211,188,713	138,769,311	138,769,311	159,935,982
Miscellaneous Revenue	1,122,434	0	0	0
Total Realized Revenue	\$273,323,359	\$210,832,882	\$210,832,882	\$239,430,582
Unrealized Gain (Loss) ²	\$120,090,034	\$0	\$0	\$0
Total Revenue	\$393,413,393	\$210,832,882	\$210,832,882	\$239,430,582
Total Available	\$2,173,527,133	\$2,208,660,966	\$2,278,348,206	\$2,400,927,084
Expenditures:				
Administrative Expenses	\$1,838,764	\$3,033,946	\$3,037,305	\$2,253,391
Investment Services ¹	10,717,551	8,976,778	8,976,778	12,740,658
Payments to Retirees	87,700,430	97,933,633	97,933,633	112,518,518
Beneficiaries	1,974,674	2,399,988	2,399,988	2,533,481
Refunds	3,780,390	4,504,000	4,504,000	4,504,000
Total Expenditures	\$106,011,809	\$116,848,345	\$116,851,704	\$134,550,048
Total Disbursements	\$106,011,809	\$116,848,345	\$116,851,704	\$134,550,048
Ending Balance³	\$2,067,515,324	\$2,091,812,621	\$2,161,496,502	\$2,266,377,036
PC Replacement Reserve ⁴	\$43,416	\$50,976	\$50,976	\$58,536
Unreserved Balance	\$2,067,471,908	\$2,091,761,645	\$2,161,445,526	\$2,266,318,500

¹ In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment of \$1,432,963.80 has been reflected as an increase in FY 2004 revenue and expenditures. FY 2004 actuals are adjusted to reflect compliance with Governmental Accounting Standards Board (GASB) Statement 28, which requires segregation of income and expenditures associated with securities lending transactions. The audit adjustment has been included in the FY 2004 Comprehensive Annual Financial Report (CAFR). Details of the FY 2004 audit adjustments will be included in the FY 2005 Third Quarter Package. It should be noted that prior to GASB 28, the retirement systems reflected net income from securities lending as part of return on investments.

² Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

³ The Employees' Retirement Fund maintains fund balances at adequate levels relative to projected requirements. The fund balance fluctuates annually primarily due to interest on investments.

⁴ Computer equipment reserve established for the timely replacement of obsolete computer equipment used for retirement operations.

Retirement Administration Agency

FUND STATEMENT

Fund Type G60, Pension Trust Funds

Fund 602, Police Retirement

	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan
Beginning Balance	\$591,890,730	\$656,433,690	\$679,147,572	\$712,778,188
Revenue:				
Employer Contributions	\$14,682,200	\$14,490,407	\$14,490,407	\$17,473,164
Employee Contributions	9,639,685	9,681,786	9,681,786	9,403,117
Employee Payback	49,567	25,000	25,000	30,000
Return on Investments ¹	48,833,324	46,461,410	46,461,410	52,822,997
Total Realized Revenue	\$73,204,776	\$70,658,603	\$70,658,603	\$79,729,278
Unrealized Gain (Loss) ²	\$46,394,204	\$0	\$0	\$0
Total Revenue	\$119,598,980	\$70,658,603	\$70,658,603	\$79,729,278
Total Available	\$711,489,710	\$727,092,293	\$749,806,175	\$792,507,466
Expenditures:				
Administrative Expenses	\$631,517	\$889,190	\$889,910	\$759,060
Investment Services ¹	3,677,363	3,153,013	3,153,013	4,751,106
Payments to Retirees	26,252,734	30,883,893	30,883,893	32,608,028
Beneficiaries	1,429,629	1,575,171	1,575,171	1,775,714
Refunds	350,895	526,000	526,000	526,000
Total Expenditures	\$32,342,138	\$37,027,267	\$37,027,987	\$40,419,908
Total Disbursements	\$32,342,138	\$37,027,267	\$37,027,987	\$40,419,908
Ending Balance³	\$679,147,572	\$690,065,026	\$712,778,188	\$752,087,558
PC Replacement Reserve ⁴	\$6,874	\$7,684	\$7,684	\$8,494
Unreserved Ending Balance	\$679,140,698	\$690,057,342	\$712,770,504	\$752,079,064

¹ In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment of \$545,771.02 has been reflected as an increase in FY 2004 revenue and expenditures. FY 2004 actuals are adjusted to reflect compliance with Governmental Accounting Standards Board (GASB) Statement 28, which requires segregation of income and expenditures associated with securities lending transactions. The audit adjustment has been included in the FY 2004 Comprehensive Annual Financial Report (CAFR). Details of the FY 2004 audit adjustments will be included in the FY 2005 Third Quarter Package. It should be noted that prior to GASB 28, the retirement systems reflected net income from securities lending as part of return on investments.

² Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

³ The Police Retirement Fund maintains fund balances at adequate levels relative to projected requirements. The fund balance fluctuates annually primarily due to interest on investments.

⁴ Computer equipment reserve established for the timely replacement of obsolete computer equipment used for retirement operations.